

FDIC State Profile

Summer 2005

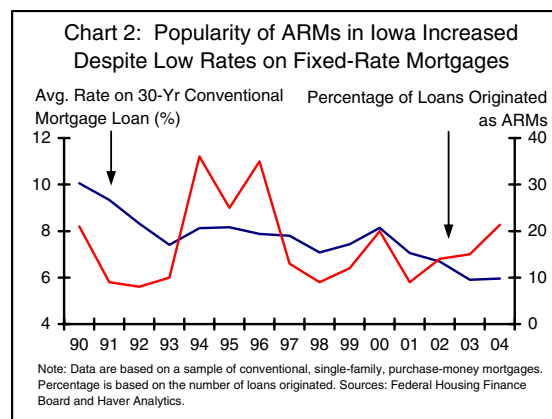
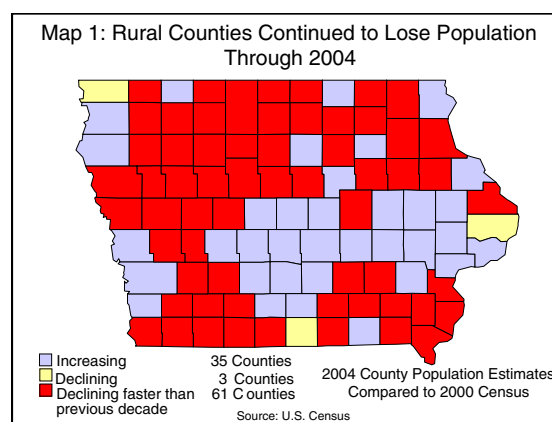
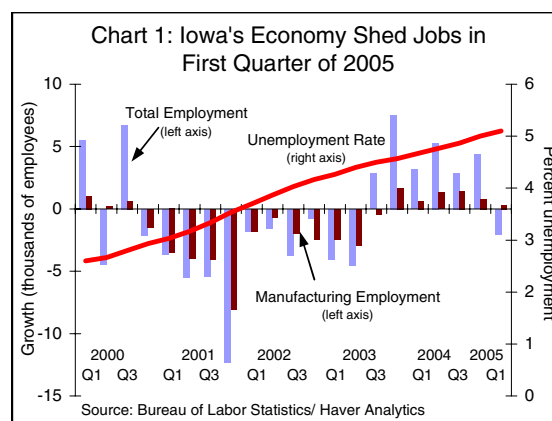
Iowa

Iowa's economy shed jobs in the first quarter of 2005.

- Iowa's economy lost 2,000 jobs in the first quarter, following six consecutive quarters of growth (See Chart 1). While the manufacturing sector added jobs for the sixth straight quarter, it has recovered less than 7,000 of the more than 33,000 jobs lost since the third quarter of 2000.
- The largest job declines in the first quarter of 2005 occurred in the retail trade and local government sectors. The construction sector also exhibited significant weakness in the quarter.
- Unemployment dropped to a two-year low of 5.1 percent during the first quarter. Despite job growth throughout 2004, the unemployment rate rose as workers re-entered the workforce faster than jobs became available.

Iowa's rural counties have continued to lose population since the 2000 Census.

- According to the 2004 Estimates of County Population released by the Census Bureau in April 2005, Iowa's population increased by 0.4 percent, or 12,000 people, compared with the previous year. Metropolitan counties showed most of the increase, accounting for more than 80 percent of the added population. In fact, the Des Moines metro area contributed nearly half of the state's increase.
- However, Iowa's rural counties continued their trend of depopulation as 64 of the state's 99 counties lost population from 2000 to 2004. Because of rural depopulation, population in Iowa grew less than 1 percent (47th among all states) during the period.
- While recent rural population losses are a continuation of a decades-long trend, depopulation is accelerating over much of the state. Sixty-one counties lost population at a faster rate from 2000 to 2004 than from 1990 to 2000 (See Map 1).



State Profile

The popularity of adjustable-rate mortgages (ARMs) has increased despite low rates on fixed-rate mortgages.

- Despite historically low mortgage rates, home purchasers in Iowa have increasingly chosen ARMs (See Chart 2).
- Should interest rates increase, some ARM holders may be vulnerable to rising debt service requirements.
- Most of Iowa's insured institutions typically have not held many residential ARMs. In the first quarter of 2005, 36 percent of Iowa's institutions reported no outstanding closed-end ARMs secured by first liens on 1-4 family residential properties.

Although home prices appreciated significantly in many areas of the nation, Iowa changes were more moderate.

- Home price appreciation in Iowa averaged 5.3 percent (less than half the national rate) during the year ending at the first quarter of 2005 (See Map 2). While Iowa ranked just 43rd of the 50 states in percentage increase, home price appreciation in the state still outpaced the overall inflation rate.
- Home prices in **Des Moines**, the largest market, **Davenport**, **Dubuque**, and **Iowa City** increased more than the state average, while **Sioux City**'s home prices increased less than the rate of inflation.
- Iowa was one of 14 states where home prices grew slower than per capita income in 2004. Of these 14 states, Iowa reported the largest difference.

Agricultural credit quality continues to improve at Iowa's farm banks.

- On a year-over-year basis, agricultural loan delinquencies, which generally peak in the first quarter, declined to their lowest level in recent history as Iowa farmers benefited from strong corn and soybean production and prices, favorable hog prices, and high government support payments (See Chart 3).
- Agricultural loan charge-offs have also been subdued over the past decade, with most farm banks reporting minimal net charge-offs during that period.
- USDA forecasts, which indicate strong net farm income in 2005, suggest that agricultural loan problems should remain low at Iowa's farm banks this year.

Bank profitability decreased slightly, mirroring the decline in securities gains.

- Annualized pretax return on assets (ROA) declined slightly from one year ago but remains historically strong (See Table 1). Securities gains disappeared in the first

quarter of 2005 as rising interest rates lowered valuations on securities.

- Yields on loans and securities declined slightly and interest-bearing liability costs increased. However, net interest margins remained unchanged because of significant growth in loan portfolios. Loans to assets increased to 65.5 percent from 62.0 percent one year ago.
- As a percent of total loans, the state's aggregate loan loss reserve declined 5 basis points to 1.27 percent, but increased to 1.74 times coverage of noncurrent loans, a five-year high.

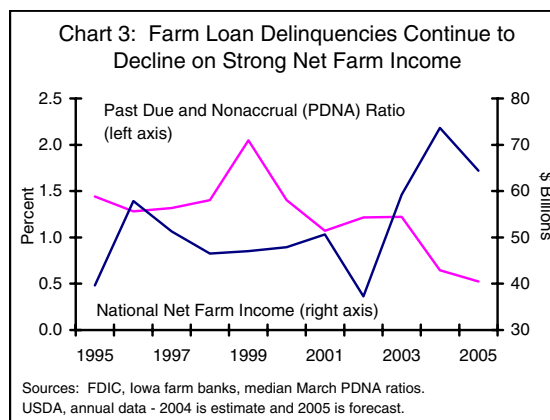
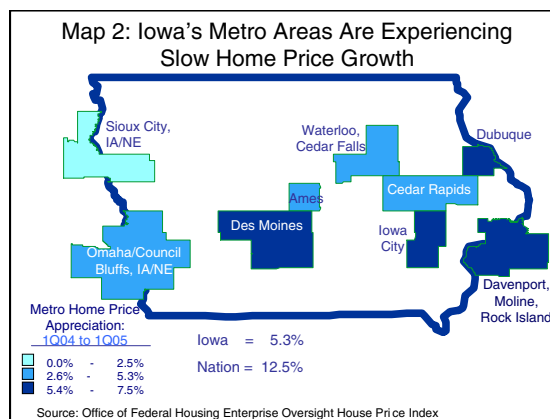


Table 1: Bank Profitability Declined Slightly From One Year Ago

Income statement contribution (as a percentage of average assets)			
	First Quarter (annualized)		Percentage Point Change
	2005	2004	
Net Interest Income	3.45	3.45	(0.00)
Noninterest Income	0.62	0.64	(0.02)
Noninterest Expense	2.51	2.52	(0.01)
Provision Expense	0.12	0.13	(0.01)
Security Gains & Losses	0.00	0.04	(0.04)
Net Income (ROA) Before Taxes	1.44	1.48	(0.04)

Source: FDIC. Iowa small community institutions (total assets less than \$250 million), excluding denovo and specialty institutions.

Iowa at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.0%	0.6%	-0.7%	-1.7%	-0.2%
Manufacturing (15%)	1.8%	-0.4%	-3.3%	-7.2%	-1.6%
Other (non-manufacturing) Goods-Producing (5%)	1.3%	6.6%	-1.0%	2.1%	-3.8%
Private Service-Producing (63%)	1.2%	0.7%	-0.2%	-0.9%	0.1%
Government (17%)	-0.6%	-0.1%	-0.2%	0.1%	0.9%
Unemployment Rate (% of labor force)	5.1	4.7	4.3	3.7	3.0

Other Indicators	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Personal Income	N/A	7.7%	1.2%	2.4%	3.3%
Single-Family Home Permits	11.1%	6.4%	8.6%	20.3%	-19.8%
Multifamily Building Permits	13.4%	5.1%	-46.7%	101.2%	-15.0%
Existing Home Sales	2.4%	10.7%	1.5%	11.0%	-2.4%
Home Price Index	5.3%	4.5%	3.3%	4.0%	5.8%
Bankruptcy Filings per 1000 people (quarterly level)	1.22	1.09	1.00	0.90	0.86

BANKING TRENDS

General Information	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Institutions (#)	412	419	431	437	452
Total Assets (in millions)	51,208	50,260	56,188	51,561	49,999
New Institutions (# < 3 years)	4	4	7	14	21
Subchapter S Institutions	202	192	187	178	167

Asset Quality	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.46	1.61	2.10	1.97	1.79
ALLL/Total Loans (median %)	1.23	1.28	1.29	1.25	1.21
ALLL/Noncurrent Loans (median multiple)	2.55	2.36	1.95	1.78	2.41
Net Loan Losses / Total Loans (median %)	0.06	0.07	0.08	0.08	0.07

Capital / Earnings	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Tier 1 Leverage (median %)	9.38	9.20	8.96	8.90	9.14
Return on Assets (median %)	1.12	1.12	1.11	1.10	1.06
Pretax Return on Assets (median %)	1.46	1.48	1.46	1.47	1.41
Net Interest Margin (median %)	3.89	3.88	3.87	3.88	3.82
Yield on Earning Assets (median %)	6.81	6.78	6.93	7.14	7.38
Cost of Funding Earning Assets (median %)	2.89	2.86	3.02	3.21	3.55
Provisions to Avg. Assets (median %)	0.08	0.08	0.08	0.09	0.09
Noninterest Income to Avg. Assets (median %)	0.53	0.54	0.54	0.53	0.52
Overhead to Avg. Assets (median %)	2.63	2.64	2.65	2.63	2.59

Liquidity / Sensitivity	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Loans to Assets (median %)	66.0	62.1	62.1	63.6	65.0
Noncore Funding to Assets (median %)	15.9	14.7	14.6	14.4	15.1
Long-term Assets to Assets (median %, call filers)	15.9	17.0	14.1	14.4	14.2
Brokered Deposits (number of institutions)	99	82	74	60	51
Brokered Deposits to Assets (median % for those above)	2.3	1.6	1.5	1.6	1.2

Loan Concentrations (median % of Tier 1 Capital)	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Commercial and Industrial	88.3	87.0	89.7	86.0	86.1
Commercial Real Estate	92.9	90.8	82.9	80.8	70.8
Construction & Development	12.4	10.7	9.1	8.5	8.2
Multifamily Residential Real Estate	2.3	2.3	2.0	2.1	1.4
Nonresidential Real Estate	70.2	68.5	59.8	58.1	49.6
Residential Real Estate	153.2	149.3	157.2	167.9	172.3
Consumer	36.7	37.4	40.7	46.1	50.7
Agriculture	209.1	200.5	207.7	222.6	225.8

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Omaha-Council Bluffs, NE-IA	75	13,804	< \$250 million	375 (91%)
Des Moines, IA	45	11,155	\$250 million to \$1 billion	32 (7.8%)
Davenport-Moline-Rock Island, IA-IL	46	5,440	\$1 billion to \$10 billion	5 (1.2%)
Cedar Rapids, IA	42	3,750	> \$10 billion	0 (0%)
Sioux City, IA-NE-SD	33	2,042		